

# **THE WTO AND AMERICA'S AGRICULTURAL TRADE AGENDA**

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**Senate Committee on Agriculture  
Washington, D.C.**

**September 30, 1999**

Chairman Lugar, Senator Harkin, Members of the Committee, thank you very much for inviting USTR to testify on our agricultural trade agenda at the WTO.

## **THE NEW ROUND**

In his State of the Union Address this January, President Clinton called for a new Round of international trade negotiations, geared to the needs of the 21<sup>st</sup> century and the rapid technological advances of the global economy. We expect to launch this Round at the Ministerial Conference at Seattle, set to begin two months from today. It is a unique opportunity to achieve our own interest in opening new markets and strengthening guarantees of fairness for America's farm and ranch families, and also to ensure for the world a reliable supply of food at market prices.

Before turning to the question of agriculture specifically, let me briefly review the overall agenda. We are pursuing a three-part agenda for a new Round that: (1) focuses on opening foreign markets for U.S. agriculture, goods and services and ensures effective implementation of the rules of the WTO; (2) continues institutional reform of the WTO to make it more open and accountable to citizens and workers, promote sustainable development and integrate the poorer countries into the system; and (3) secures achievements at Seattle to mark the launch of the new Round and give impetus to the new trade agenda. This three-part agenda ensures that all trading partners can benefit from the Round while ensuring its completion in three years.

WTO Members are now developing draft decisions for Ministerial approval at Seattle on the scope and subject matter for the new Round, time lines that establish milestones for progress and the organization and conduct of the negotiations (establishment of negotiating groups, oversight responsibility, etc.). The Seattle "launch" will establish the parameters that will govern negotiations for the next three years. In January 2000, negotiators return to Geneva for hard bargaining and substantive negotiations. Ministers likely will meet at the midterm to ensure that the three-year schedule is kept.

In contrast to the preparatory phase for the Uruguay Round, we already have agreement on the core subjects for the new round. The Uruguay Round's "built-in agenda," of course, had already scheduled negotiations in agriculture and services to begin this year. The question before governments preparing for Seattle is what additional elements to add to the agenda. At U.S.

urging, there is a consensus to launch negotiations that are of a much shorter duration -- three years. Given this timetable, and the big agenda already on the table, the key will be to building a consensus on remaining issues where agreements can be achieved in this three-year period. This means that we are looking essentially at a market access oriented negotiation, where there is likely to be a consensus to reduce barriers to trade in industrial goods and to enhance the market access gains by launching negotiations on trade facilitation. This approach offers the possibility of greater advances in agriculture, which as Ambassador Barshefsky has said, is at the heart of our agenda.

We have therefore set ambitious goals, in areas ranging from tariffs to export subsidies and treatment of biotechnology products. My testimony today will review these goals; the process by which we have set our objectives; our strategy, in particular our work internationally, to build consensus on achieving them; and the timetable by which we plan to bring the work to a successful conclusion. Let me begin, however, with some brief remarks about the importance of the WTO system as a whole to American agriculture.

### AGRICULTURAL TRADE GOALS

Mr. Chairman, American farmers are the most competitive and technically advanced in the world, producing far more than we can ever eat. Thus we must have the ability to export to the 96% of humanity that lives beyond our borders. In fact, with one in three American farm acres now producing for foreign markets, we must export to remain profitable at home.

These realities are the foundation of our agricultural trade policy. Under President Clinton and Vice President Gore, we have sought to:

- reduce tariffs and other barriers to trade;
- ensure that sanitary and phytosanitary standards are based on science;
- promote fair trade by reducing foreign export subsidies and trade-distorting domestic supports;
- ensure greater transparency and fairness in state trading; and
- help guarantee that farmers and ranchers can use safe modern technologies, in particular biotechnology, without fear of trade discrimination.

### URUGUAY ROUND ACHIEVEMENTS

We have pursued these goals in negotiations with all of our major bilateral trading partners in a wide range of commodities, and in the regional initiatives we have opened in the Western Hemisphere, Asia, Europe and Africa. At the heart of our work, however, is construction of a world trading system that opens markets for farmers and ranchers; reduces unfair trade practices; ensures that our trading partners do not use unscientific sanitary and phytosanitary measures to block American goods, while ensuring that consumers in the United States and around the world have the highest possible standards of food safety; and gives us strong and credible means of settling disputes.

The completion of Uruguay Round in 1994 marked the first major step towards such a trading system. Under the Uruguay Round's Agreements on Agriculture and the Application of Sanitary and Phytosanitary Measures (SPS), we lowered tariffs and are on track to eliminate most quantitative restrictions. We reduced trade-distorting subsidies. We ensured that all WTO members -- 110 at the time, 134 today -- would use science-based sanitary and phytosanitary measures to protect human, animal and plant health rather than to bar imports. And we created a strong dispute settlement system, which we have now used thirteen times in the past four years to enforce the Agriculture and SPS Agreements, on issues from fruit sales to Japan, to pork in the Philippines, dairy in Canada, and of course the still unresolved banana and beef cases with the European Union.

The Uruguay Round has done a great deal to create a foundation of commitments to open markets, fair trade, respect for science and an enforceable rule of law. But while this is a very strong beginning, we are very far from done.

### DOMESTIC CONSULTATIONS

In the next decade, we can and should go well beyond the achievements of the 1990s in aggressive reform of agricultural trade. An ambitious agricultural agenda in the next Round can make trade more open for our farmers and ranchers; encourage the most advanced and environmentally friendly agricultural technologies; and ultimately to increase the world's food security.

Over the past 18 months, we have pursued a methodical strategy which has moved us, step by step, towards this goal. This began with our successful effort at the most recent WTO Ministerial, in May 1998, to renew the formal commitment by WTO members on agricultural negotiations, to begin in 1999 and ensure that implementation of existing agreements would receive priority attention, and that there would be no question about reopening the commitment to negotiate on agriculture beginning in 1999.

We then opened a long series of consultations with Congress, agricultural producer and commodity groups and others interested in the Round to seek advice on the goals and priorities we should set. This included publishing notices in the Federal Register seeking public comment on agricultural and other policy goals in the Round, and hearings on the overall WTO agenda through the Trade Policy Staff Committee in Atlanta, Dallas, Los Angeles and Chicago, as well as Washington DC.

We also held a series of Listening Sessions with the Department of Agriculture focusing specifically on agriculture this June and July. In these sessions, senior USTR officials and agricultural negotiators visited Indianapolis, Indiana; Des Moines, Iowa; Winter Haven, Florida; St. Paul, Minnesota; Memphis, Tennessee; Austin, Texas; Sacramento, California; Richland, Washington; Kearney, Nebraska; Newark, Delaware; Burlington, Vermont; and Bozeman, Montana to hear directly from farmers, ranchers and others on the specific issues and

commodities they felt should be our top negotiating priorities.

## U.S. GOALS FOR THE NEW ROUND

Having completed these sessions, we then developed a set of specific proposals which together form an ambitious and achievable agenda for the Round. They will address the major concerns raised in our consultations, including worldwide tariff disparities; reform of Europe's Common Agricultural Policy, which is the world's largest single distortion of agricultural trade; the reduction in market transparency and competition created by state trading monopolies; and ensuring fair treatment for trade in biotechnology.

We tabled these proposals in August at the WTO in Geneva, proposing that the Round:

- Completely eliminate, and prohibit for the future, all remaining export subsidies as defined in the Agreement on Agriculture.
- Substantially reduce trade-distorting supports and strengthen rules that ensure all production-related support is subject to discipline, while preserving criteria-based “green box” policies that support agriculture while minimizing distortion to trade;
- Lower tariff rates and bind them, including but not limited to zero/zero initiatives;
- Improve administration of tariff-rate-quotas;
- Strengthen disciplines on the operation of state trading enterprises;
- Improve market access through a variety of means to the benefit of least-developed Members by all other WTO Members; and
- Address disciplines to ensure trade in agricultural biotechnology products is based on transparent, predictable and timely processes.

As the Committee may be aware, we have requested a number of studies from the U.S. International Trade Commission on the barriers that confront U.S. agriculture around the globe. In addition, agriculture is included in the request made to the ITC for advice on market access negotiations. Normally, this advice (which is required by statute) would be requested once negotiations are launched. We determined that in order to be ready, we should have the advice in hand immediately as negotiations are launched.

## BUILDING INTERNATIONAL CONSENSUS

At the same time, we are working to build international consensus on our goals and a rapid timetable for achieving them. This process includes several different elements: developing

consensus on an overall agenda for the Round which maximizes the potential for success for the launch of new negotiations and for achievements in agriculture; creating the broadest possible coalitions in support of our specific goals in agriculture, and for the three-year timetable which will ensure meaningful results in a reasonable period of time; and setting concrete precedents for our goals in the Round through our regional trade initiatives and negotiations on new accessions to the WTO.

## 1. Maximizing the Potential for Success

As I mentioned earlier, we need to have a consensus on an overall agenda that meets the interests of all our trading partners. We have an excellent basis upon which to build that consensus with the built-in agenda negotiations and the addition of achievable goals in a three year round, and the emerging consensus to broaden the agenda further to include industrial market access questions and other matters related to access. Our goal is to move the market access negotiations for agriculture, non-agricultural items, and services forward as one package and conclude those negotiations at the same time. This will allow us to maximize our leverage to ensure that the WTO's negotiating agenda enables us to meet our objectives for aggressive reform of agricultural trade.

As one example, we won agreement from the APEC economies for the completion of an Accelerated Tariff Liberalization program at the WTO in sectors important to both developed and developing countries. This would be undertaken on a provisional basis with full and final binding as part of the conclusion of the single market access package, and is thus structured in such a way as to increase WTO members' stake in conclusion of the Round.

We do not believe, as some have argued, that the agenda needs to revisit and reopen each and every agreement negotiated in the Uruguay Round, or focus on matters that are not yet ripe for negotiation. That would be a recipe for delay, which is unacceptable to the United States and many of our partners.

## 2. Developing Consensus on Goals and Timetable

At the same time, we have worked to build the largest possible degree of consensus on the three-year timetable and our goals in agriculture. We started early in the WTO's preparatory process -- focusing on the substantive problems with implementation and our goals for further reform. We called for building upon the basic structure of the Uruguay Round disciplines on agriculture -- market access, domestic supports and export subsidies -- and our trading partners seem to accept this fundamental approach for the new negotiations.

Most importantly, working with our partners, we built the consensus for a three-year negotiation. Second, we have sought a negotiating plan with benchmarks to ensure that we will come away from Seattle with time lines that establish milestones for progress and the organization and conduct of the negotiations. It is noteworthy that last month, Ministers from the Cairns

Group indicated it will be pushing “for clear and detailed decisions in Seattle to ensure agriculture negotiations begin on time, conclude before 2003, and have an explicit negotiating time table to deliver required outcomes.” Even the European Commission has called for tabling of detailed negotiating proposals in all areas of the new Round by June 2000.

We want to work closely with you and our private sector to determine the best way to mold the various measures affecting agricultural trade into the detailed negotiating plans that will be needed next year. The advice from the International Trade Commission will be useful to help us test possible approaches and build consensus for new initiatives. For example, we have already been approached about sectoral initiatives in some areas and other approaches. We have an ambitious time table in mind and we need to continue to work together expeditiously to refine the elements of our negotiating plans to meet these objectives.

In addition to our work at the WTO in Geneva, we have used the opportunities created by our regional trade initiatives and major international meetings (e.g. the US-Africa Ministerial in Washington this March; the NAFTA Ministerial in Ottawa in April; Free Trade Area of the Americas conferences; the US-EU Summit this spring; the Quad meeting in Tokyo; the OECD Ministerial; Cairns Group meetings; and most recently the APEC meeting in New Zealand in September) to build support for our goals in market access, subsidies and biotechnology. Some examples include:

- Asia-Pacific – At the APEC Ministerial this month, we won a commitment by all 23 APEC Trade Ministers, including those of Japan, Canada, Mexico, the ASEAN states, South Korea and others, to a three year timetable for the Round; to an agenda which considers tariff and non-tariff measures and takes a joint stand for the “abolition of agricultural export subsidies,” and to promote “transparent and science-based approaches to the introduction and use of biotechnology products.”
- Africa – This March, we hosted an historic US-Africa Ministerial, at which we found common ground with many African trading partners on agricultural market access issues. Likewise, we have support from a number of African countries on elimination of export subsidies – which are especially damaging to developing country farmers.
- Europe – Clearly, many of our most difficult negotiating challenges in agriculture will be with the European Union. However, we are working to develop consensus in as many areas as possible. For example, at the US-EU Summit this spring we confirmed our agreement on a three-year timetable for the Round, and under the Transatlantic Economic Partnership discussions opened a pilot project to enhance transparency and access to regulatory procedures, under which we will strive to agree on common data requirements for the acceptance of biotechnology products.
- Western Hemisphere – we are working towards commitment from every Western Hemisphere nation participating in the FTAA talks (all, with the exception of Cuba) to

work for elimination of export subsidies globally, and have developed wide support for this goal.

### 3. WTO Accessions

Finally, thirty-one economies are now applying for accession to the WTO. In each of these we are requiring full compliance with the provisions of the Agreement on Agriculture as well as significant market-opening measures, immediate acceptance of the Sanitary and Phytosanitary Agreement, and improved transparency in any existing state trading arrangements.

Specifically, in the past year we have brought Kyrgyzstan and Latvia into the WTO: completed negotiations with Estonia, with accession pending its Parliament ratification of the accession agreements; completed bilateral negotiations with Taiwan, Georgia and Albania; and made significant progress with Armenia, China, Croatia, Jordan, Lithuania, Moldova and Oman.

In the case of China, which is of course the largest prospective new economy in the WTO, while some services and rules issues remain for discussion, agricultural negotiations are complete and include a very strong set of commitments in market access, renunciation of export subsidies, tariff-rate quotas and other issues. These negotiations resumed at the direction of Presidents Clinton and Jiang at the APEC Leaders Meeting earlier this month.

### CONCLUSION

In summary, Mr. Chairman, over the past year, we have developed a set of negotiating objectives which reflect the advice and priorities we have received from Congress and American agricultural producers; set precedents on our objectives in our accession negotiations; and begun to build the international coalitions that will realize our goals in the Round.

Much work remains ahead. We hope to consult closely with the Committee as we prepare for the launch of the Round at the Ministerial, and then as the negotiations begin. We look forward to a continued close working relationship, and to results which lead to a fairer, more open trading world for America's farm and ranch families.

Thank you.